

**PRICE MUNICIPAL CORPORATION**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

**PRICE MUNICIPAL CORPORATION  
 BASIC FINANCIAL STATEMENTS  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Price Municipal Corporation, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of Price Municipal Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

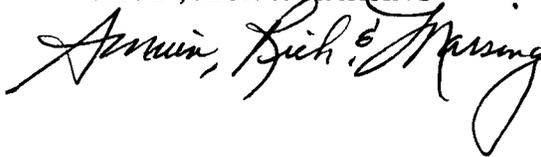
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Price Municipal Corporation as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2006, on our consideration of Price Municipal Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and analysis and budgetary comparison information on pages 3 through 13 and 54 through 56 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Price Municipal Corporation's basic financial statements. The combining and individual nonmajor fund statements and schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Price Municipal Corporation. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in black ink and is positioned below the printed name of the firm.

Price, Utah

October 12, 2006

**PRICE MUNICIPAL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
2005-2006**

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Our discussion and analysis of Price City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006.

### **FINIANCIAL HIGHLIGHTS**

- ❖ The City's total net assets increased \$109,143 as a result of this year's operations. Net assets of our business-type activities increased by \$447,449, which is 2.7 percent, and net assets of our governmental activities decreased by \$338,306, or 3.0 percent.
- ❖ The expenses of \$7.6 million were \$1.3 million more than the revenues received of \$6.3 million for governmental activities. This is slightly lower than last year when expenses were \$1.9 million more than revenue.
- ❖ In the City's business-type activities, revenues were \$8.1 million, a 16.6 percent increase from last year. Expenditures were \$6.7 million, which is a 5.7 percent increase.
- ❖ The governmental activities reported a deficiency of \$222,204 after transfers. The business-type activities reported an excess of \$331,347 after transfers.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

### **REPORTING THE CITY AS A WHOLE**

Our analysis of the City as a whole begins on page 14. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water and sewer lines, drainage systems, electrical facilities and other capital assets to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- ❖ **Governmental activities**—Most of the City's basic services are reported here, including the police, fire, highway, public improvements, and parks departments and general administration. Property taxes, franchise fees, sales taxes and state and federal grants finance most of these activities.
- ❖ **Business-type activities**—The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems and electrical facilities are reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 16. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like CDBG projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- ❖ **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.
- ❖ **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's Information Systems Fund.

### **The City as Trustee**

The City is a trustee—it is responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The City as a Whole

The City's *combined* net assets increased slightly from a year ago—increasing from \$28.2 million to \$28.3 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1  
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,635,429	\$ 2,431,929	\$ 5,418,924	\$ 4,510,315	\$ 8,054,353	\$ 6,942,244
Capital assets	9,819,108	10,353,561	22,234,598	23,254,018	32,053,706	33,607,579
Total assets	\$ 12,454,537	\$ 12,785,490	\$ 27,653,522	\$ 27,764,333	\$ 40,108,059	\$ 40,549,823
Long-term debt outstanding	\$ 484,954	\$ 296,413	\$ 9,734,937	\$ 10,166,548	\$ 10,219,891	\$ 10,462,961
Other liabilities	911,852	1,093,040	651,432	778,081	1,563,284	1,871,121
Total liabilities	\$ 1,396,806	\$ 1,389,453	\$ 10,386,369	\$ 10,944,629	\$ 11,783,175	\$ 12,334,082
Net assets:						
Invested in capital assets, net of debt	\$ 9,594,108	\$ 10,291,161	\$ 12,540,922	\$ 12,997,456	\$ 22,135,030	\$ 23,288,617
Restricted	152,065	252,064	2,744,998	2,157,926	2,897,063	2,409,990
Unrestricted	1,311,558	852,812	1,981,233	1,664,322	3,292,791	2,517,134
Total net assets	\$ 11,057,731	\$ 11,396,037	\$ 17,267,153	\$ 16,819,704	\$ 28,324,884	\$ 28,215,741

Net Assets of the City's governmental activities decreased by 3.0 percent (\$11.1 million compared to \$11.4 million in 2005). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$852,812 at June 30, 2005, to \$1.3 million at the end of this year.

Net Assets of our business-type activities increased 3.0 percent (\$17.3 million compared to \$16.8 million in 2005). Unrestricted net assets for this group amount to \$1,981,233. These net assets are used to finance the continuing operations of the Water and Sewer, Electric, Swimming Pool and Price City Economic Vitality funds.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 738,999	\$ 725,498	\$ 7,862,668	\$ 6,784,431	\$ 8,601,667	\$ 7,509,929
Operating grants and cont.	378,095	438,105			378,095	438,105
Capital grants and cont.	777,896	181,137			777,896	181,137
General Revenues:						
Property taxes	955,639	982,071			955,639	982,071
Sales taxes	3,368,760	2,951,634			3,368,760	2,951,634
Other general revenues	116,606	75,448	212,713	142,192	329,319	217,640
<b>Total revenues</b>	<b>\$ 6,335,995</b>	<b>\$ 5,353,893</b>	<b>\$ 8,075,381</b>	<b>\$ 6,926,623</b>	<b>\$ 14,411,376</b>	<b>\$ 12,280,516</b>
<b>Program Expenses</b>						
General government	\$ 1,338,974	\$ 1,653,545			\$ 1,338,974	\$ 1,653,545
Public safety	1,880,931	1,842,094			1,880,931	1,842,094
Highways and public improv.	2,651,959	2,402,747			2,651,959	2,402,747
Parks and recreation	964,962	843,223			964,962	843,223
Economic development	106,209	45,265			106,209	45,265
Intergovernmental	62,200	61,100			62,200	61,100
Capital outlay	627,297	415,105			627,297	415,105
Interest on long-term debt	817	4,533			817	4,533
Water and sewer			\$ 2,636,313.00	\$ 2,639,849.00	2,636,313	2,639,849
Electric			3,372,511	3,062,267	3,372,511	3,062,267
Pool			610,819	572,214	610,819	572,214
Price City economic vitality			612		612	
Price Community Center			48,629	36,515	48,629	36,515
<b>Total expenses</b>	<b>\$ 7,633,349</b>	<b>\$ 7,267,612</b>	<b>\$ 6,668,884</b>	<b>\$ 6,310,845</b>	<b>\$ 14,302,233</b>	<b>\$ 13,578,457</b>
Excess (deficiency) before transfers	\$ (1,297,354)	\$ (1,913,719)	\$ 1,406,497	\$ 615,778	\$ 109,143	\$ (1,297,941)
Transfers	1,075,150	857,150	(1,075,150)	(857,150)		
<b>Change in net assets</b>	<b>\$ (222,204)</b>	<b>\$ (1,056,569)</b>	<b>\$ 331,347</b>	<b>\$ (241,372)</b>	<b>\$ 109,143</b>	<b>\$ (1,297,941)</b>
Net Assets - beginning	\$ 11,396,037	\$ 12,452,606	\$ 16,819,704	\$ 17,061,076	\$ 28,215,741	\$ 29,513,682
Equity adjustment	(116,102)		116,102			
<b>Net Assets - ending</b>	<b>\$ 11,057,731</b>	<b>\$ 11,396,037</b>	<b>\$ 17,267,153</b>	<b>\$ 16,819,704</b>	<b>\$ 28,324,884</b>	<b>\$ 28,215,741</b>

The City's total revenues increased by 17.4 percent (\$2,130,860). The total cost of all programs and services increased \$723,776 or 5.3 percent. Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Revenues for the City's governmental type activities increased by 18.3 percent (\$982,102), while total expenses increased 5.0 percent (\$365,737). Property taxes decreased by 2.7 percent, and sales taxes increased by 14.1 percent. The largest source of funds was sales taxes followed by the transfer of funds from the Electric Fund, property taxes, and highway taxes. Net assets for governmental activities decreased \$222,204 in 2006. This compares to a \$1,056,569 decrease in net assets in 2005.

The cost of all governmental activities this year was \$7.6 million compared to \$7.3 million last year. As shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4.3 million because some of the cost was paid by those who directly benefited from the programs (\$738,999) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,155,991). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from \$1.3 to \$1.9 million.

Table 3 presents the cost of each of the City's four largest programs—general government, public safety, highways and public improvements, and parks and recreation—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2006	2005	2006	2005	2006	2005
<b>Primary government</b>						
Governmental activities:						
General government	\$ 1,338,974	\$ 1,653,545	\$ 290,859	\$ 371,913	\$ (1,048,115)	\$ (1,281,632)
Public safety	1,880,931	1,842,094	313,525	187,779	(1,567,406)	(1,654,315)
Highways and public improvements	2,651,959	2,402,747	1,173,270	586,101	(1,478,689)	(1,816,646)
Parks and recreation	964,962	843,223	43,289	194,274	(921,673)	(648,949)
Other	796,523	526,003	74,047	4,673	(722,476)	(521,330)
<b>Total governmental   activities</b>	<b>\$ 7,633,349</b>	<b>\$ 7,267,612</b>	<b>\$ 1,894,990</b>	<b>\$ 1,344,740</b>	<b>\$ (5,738,359)</b>	<b>\$ (5,922,872)</b>

## **Business-type Activities**

Revenues of the City's business-type activities increased 16.6 percent (\$8.1 million in 2006 compared to \$6.9 million in 2005) while expenses increased 5.7 percent; attributed to increases in daily operation and maintenance. The majority of the increase in revenue is attributed to the Electric Fund, including additional revenue generated from the purchase of the East Price electrical system.

The City is not benefiting from any growth. The population has actually decreased during the past 10 years.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$1.6 million, which is higher than last year's total of \$1.1 million. The following change in fund balance should be noted:

Each year the State provides the City with a portion of the gasoline tax revenues it collects. This money can only be used to replace, maintain, or improve the City's roads. This year the City received \$298,046 and used \$312,291. The remainder decreases the fund balance for Class C Roads which is used to fund projects in future years.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the City budget twice. The first budget revision was to adjust for estimates made in April 2005, as circumstances change. The second adjustment was near the end of the fiscal year and was to prevent budget overruns and to reflect more closely what actually happened during the year.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$403,934 below the final budget amounts. The most significant positive variance (\$143,903) occurred in the City's streets department; road improvements and repairs totaling \$130,118, funded by a CIB grant, were not completed by year end.

Resources for appropriation (revenues) were \$365,957 over the final budgeted amount. The most significant overage occurred in sales tax revenue.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2006, the City had \$32.1 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$1.6, or a 4.6 percent decrease over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Water stock			\$ 994,922	\$ 994,922	\$ 994,922	\$ 994,922
Land	\$ 1,015,137	\$ 1,015,137	214,660	214,660	1,229,797	1,229,797
Buildings	2,779,576	2,509,624	6,253,793	6,611,595	9,033,369	9,121,219
Improvements other than buildings	1,196,317	1,223,241	14,449,023	15,045,458	15,645,340	16,268,699
Equipment	766,903	875,884	306,427	387,383	1,073,330	1,263,267
Infrastructure	3,807,264	4,494,340			3,807,264	4,494,340
Work in progress	253,911	235,335	15,773		269,684	235,335
<b>Total assets activities</b>	<b>\$ 9,819,108</b>	<b>\$ 10,353,561</b>	<b>\$ 22,234,598</b>	<b>\$ 23,254,018</b>	<b>\$ 32,053,706</b>	<b>\$ 33,607,579</b>

This year's major additions included:

Remodel of the old BLM building (new P.D.) Paid with grant/loan and City funds	\$422,928
Cove Basin Park road Paid with grant funds	42,993
New fiber line Paid with grant funds	<u>80,462</u>
<b>Total</b>	<b><u>\$546,383</u></b>

The City's fiscal year 2007 capital budget calls for it to spend approximately \$2.7 million for capital projects, (of which \$1.3 million is anticipated to be financed by grants/loans). More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

#### Debt

At year end, the City had \$9.9 million in bonds and leases outstanding. This balance is 3.6 percent less than 2005.

**Table 5  
Outstanding Debt at Year-end**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Bonds payable	\$ 225,000	\$ 46,478	\$ 9,648,716	\$ 10,146,615	\$ 9,873,716	\$ 10,193,093
Leases payable		14,289	44,960	84,756	44,960	99,045
<b>Total debt</b>	<b>\$ 225,000</b>	<b>\$60,767</b>	<b>\$ 9,693,676</b>	<b>\$ 10,231,371</b>	<b>\$ 9,918,676</b>	<b>\$10,292,138</b>

**New debt incurred during the year:**

Revenue bonds for the renovation of existing buildings                      \$225,000

Other obligations include \$301,215 of accrued vacation, sick, and comp time pay. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

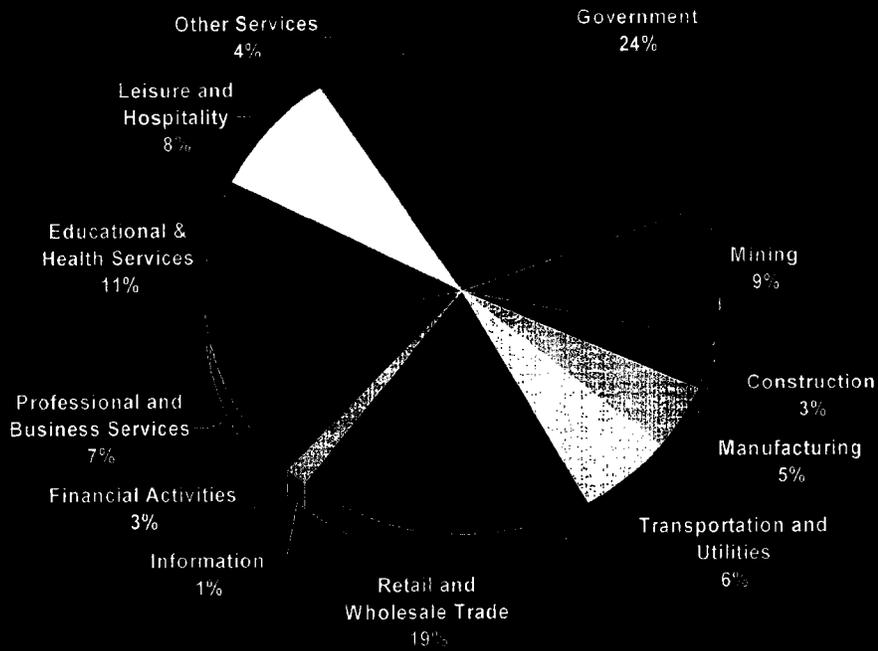
The City's elected and appointed officials considered many factors when preparing the fiscal year 2007 budget. One of those factors is the economy.

Carbon County as a whole has experienced a decrease in population over the past decade. The decrease for 2005 was 0.2 percent or approximately 47 people.

The unemployment rate for the county as of October 2006 was 2.5 percent compared to the state's 2.8 percent. Last year at this time, the unemployment rate was 4.1 percent.

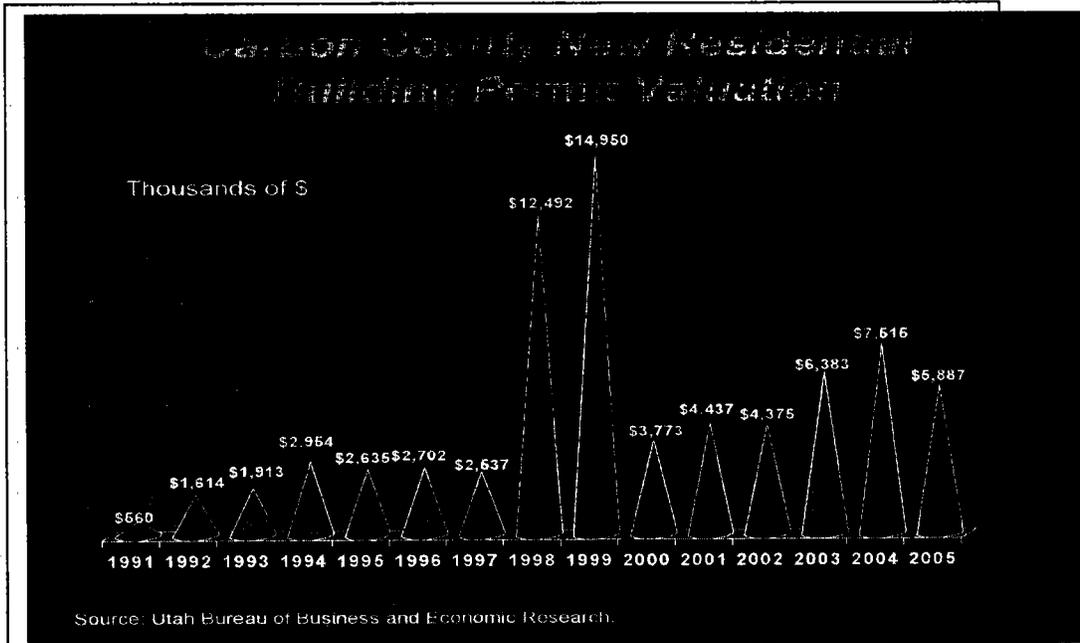
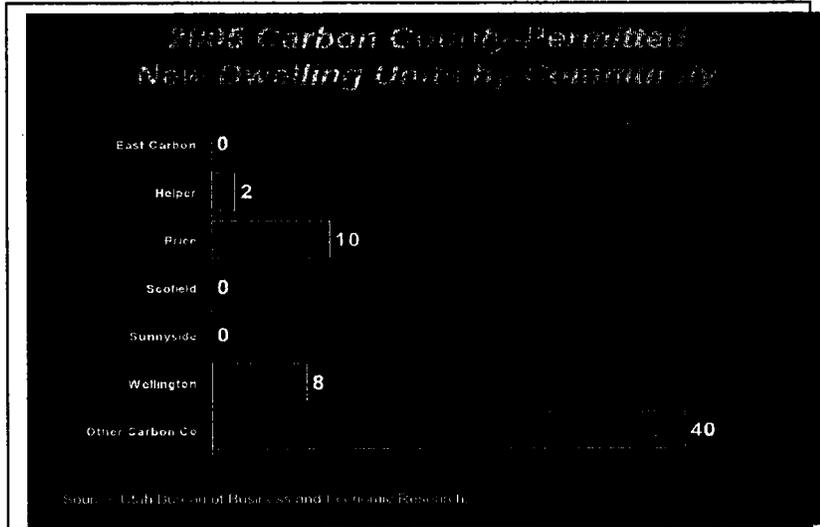
Carbon County experienced broad-based economic growth in the second quarter of 2006, adding 583 positions, or an increase of 6.5 percent. The county's traditional heavy industries—mining, construction, and manufacturing—all showed tremendous strength in the quarter. Year-over mining employment was up nearly 21 percent, or 150 jobs. Likewise, construction and manufacturing also posted double-digit growth, reaching 17 percent and 12 percent, respectively. Carbon County's service producing industries also enjoyed strong employment gains. Healthcare, accommodations and food services, and retail trade showed the largest year-over increases in jobs.

## 2005 Carbon County Jobs Distribution by Industry



Source: Utah Department of Workforce Services

Construction permits issued by Price City declined 1.6 percent in the third quarter of 2006. The new construction valuation for the entire county increased 28.2 percent, with the number of dwelling units increasing 27 percent. As shown in the graph below, most of the inclines can be attributed to the unincorporated areas of the county. The Price-Wellington area actually saw increases in both new residential and nonresidential construction permit valuations.



The recent surge in manufacturing jobs does bode well for the county and should continue to be supported. Energy prices should make the area's natural resources much more desirable in the coming year.

The county's economy is becoming more diverse. This will help sustain the county during slow economic times.

Sales tax is the City's major source of revenue; the transfer from the Electric Fund being the second. Sales tax increased last year by 14 percent, and appears to be up slightly for the 2007 year. The transfer from the Electric Fund was increased by approximately 34 percent for fiscal year 2007 compared to 26 percent for the prior year. Fiscal year 2007 General Fund expenditures are budgeted at \$7.1 million. Capital expenditures for 2007 were budgeted at a 44 percent increase over the 2006 budget.

The General Fund is budgeted to use \$200,000 from fund balance while the Electric Fund is budgeted to use \$576,150. Most of the fund balance being used in the Electric Fund is for a new substation, which is being funded by the cost recovery charge implemented two years ago. The City will continue to use lease/purchase financing to fund equipment.

Personnel costs of \$5.5 million are the largest expenditure for the City. The City offers two different levels of health insurance for employees. Employees opting for the higher cost insurance must participate in paying the premiums.

As for business-type activities, a 5 percent rate increase is budgeted for the Electric Fund, and a \$1.00 increase will be imposed on the sewer rate for fiscal year 2007. The residential electric rates were restructured to encourage conservation, and could generate up to an additional 7 percent in revenues.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Director's Office at 185 East Main, Price, Utah.

Note:

Economic information about Carbon County was taken from the Utah Department of Workforce Services.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 66,220	\$ 2,319,805	\$ 2,386,025
Cash - restricted		8,000	8,000
Investments - restricted	869,104	2,624,671	3,493,775
Taxes receivable	728,880		728,880
Accounts receivable (net)		552,297	552,297
Miscellaneous receivable	165,083	61,261	226,344
Internal balances	147,110	(147,110)	
Due from other governmental units	611,486		611,486
Inventory of supplies	47,546		47,546
Capital assets (net of accumulated depreciation):			
Water stock		994,922	994,922
Land	1,015,137	214,660	1,229,797
Buildings	2,779,576	6,253,793	9,033,369
Improvements other than buildings	1,196,317	14,449,023	15,645,340
Equipment	766,903	306,427	1,073,330
Infrastructure	3,807,264		3,807,264
Work in progress	253,911	15,773	269,684
Total assets	<u>\$ 12,454,537</u>	<u>\$ 27,653,522</u>	<u>\$ 40,108,059</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 245,506	\$ 373,247	\$ 618,753
Accrued liabilities	2,151	541	2,692
Sales tax payable		20,892	20,892
Bond interest payable		22,373	22,373
Deferred revenue	664,195		664,195
Noncurrent liabilities:			
Customer deposits payable		234,379	234,379
Revenue bonds payable - Due within one year	11,000	64,324	75,324
Capital leases payable - Due within one year		14,503	14,503
Revenue bonds payable - Due in more than one year	214,000	9,584,392	9,798,392
Capital lease payable - Due in more than one year		30,457	30,457
Compensated absences	259,954	41,261	301,215
Total liabilities	<u>\$ 1,396,806</u>	<u>\$ 10,386,369</u>	<u>\$ 11,783,175</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 9,594,108	\$ 12,540,922	\$ 22,135,030
Restricted for:			
Class "C" Roads	75,585		75,585
Redevelopment agency	57,055		57,055
Drug enforcement	19,425		19,425
Debt service		2,744,998	2,744,998
Unrestricted	1,311,558	1,981,233	3,292,791
Total net assets	<u>\$ 11,057,731</u>	<u>\$ 17,267,153</u>	<u>\$ 28,324,884</u>

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental activities:</b> General government Public safety Highways and public improvements Parks and recreation Economic development Intergovernmental Capital outlay Interest on long-term debt Total governmental activities	\$ 1,338,974 1,880,931 2,651,959 964,962 106,209 62,200 627,297 817 \$ 7,633,349	\$ 287,927 68,425 298,857 10,493 73,297 750 \$ 738,999	\$ 2,932 49,571 315,296 9,546 750 \$ 378,095	\$ 195,529 559,117 23,250 \$ 777,896	\$ (1,048,115) (1,567,406) (1,478,689) (921,673) (32,912) (61,450) (627,297) (817) \$ (5,738,359)	\$ 10,866 1,649,286 (430,430) 2,569 (38,507) \$ 1,193,784	\$ (1,048,115) (1,567,406) (1,478,689) (921,673) (32,912) (61,450) (627,297) (817) \$ (5,738,359)
<b>Business-type activities:</b> Water and sewer Electric Pool Price City economic vitality Price Community Center Total business-type activities Total primary government	\$ 2,636,313 3,372,511 610,819 612 48,629 \$ 6,668,884	\$ 2,647,179 5,021,797 180,389 3,181 10,122 \$ 7,862,668	\$ 378,095 \$ 777,896	\$ (5,738,359) \$ 1,193,784	\$ 10,866 1,649,286 (430,430) 2,569 (38,507) \$ 1,193,784	\$ (4,544,575)	
<b>General revenues:</b> Property taxes Sales and franchise taxes Grants and contributions not restricted to specific programs Unrestricted investment earnings Gain on sale of capital assets Miscellaneous Transfers in (out) Total general revenues and transfers Change in net assets Net assets - beginning Equity adjustment Net assets - ending	\$ 955,639 3,368,760 2,228 59,933 5,948 48,497 1,075,150 \$ 5,516,155	\$ 955,639 3,368,760 2,228 59,933 5,948 48,497 1,075,150 \$ 5,516,155	\$ 331,347 16,819,704 116,102 \$ 17,267,153	\$ 4,653,718 \$ 109,143 28,215,741 (116,102) \$ 28,324,884	\$ 955,639 3,368,760 56,728 218,146 5,948 48,497 (1,075,150) \$ 4,653,718	\$ 109,143 28,215,741 116,102 \$ 28,324,884	

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>			
Cash and cash equivalents		\$ 25,817	\$ 25,817
Investments restricted	\$ 372,948	496,156	869,104
Receivables (net):			
Taxes	728,880		728,880
Miscellaneous	57,849	107,123	164,972
Due from other governmental units	611,486		611,486
Due from other funds		60,000	60,000
Inventory of supplies at cost	47,546		47,546
	<u>\$ 1,818,709</u>	<u>\$ 689,096</u>	<u>\$ 2,507,805</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Cash deficit	\$ 14,821		\$ 14,821
Accounts payable	136,815	\$ 76,022	212,837
Accrued liabilities	1,902	189	2,091
Deferred revenue	664,195		664,195
	<u>\$ 817,733</u>	<u>\$ 76,211</u>	<u>\$ 893,944</u>
Fund balances:			
Reserved for:			
Class "C" Roads	\$ 77,585		\$ 77,585
Drug Task Force		\$ 19,425	19,425
Redevelopment agency		57,055	57,055
Unreserved, reported in:			
General fund	923,391		923,391
Special revenue funds		68,823	68,823
Capital project funds		467,582	467,582
	<u>\$ 1,000,976</u>	<u>\$ 612,885</u>	<u>\$ 1,613,861</u>
Total fund balances	<u>\$ 1,000,976</u>	<u>\$ 612,885</u>	<u>\$ 1,613,861</u>
Total liabilities and fund balances	<u>\$ 1,818,709</u>	<u>\$ 689,096</u>	<u>\$ 2,507,805</u>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

Total fund balances - governmental fund types: \$ 1,613,861

Accumulated effect of crossover amounts charged in business-type activities  
from Internal Service Fund activity. 87,110

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported in the funds. Amount net of depreciation.

Land	\$	1,015,137	
Buildings		2,779,576	
Improvements other than buildings		1,196,317	
Equipment		766,903	
Infrastructure		3,807,264	
Work in progress		<u>253,911</u>	9,819,108

Long-term liabilities, including bonds payable, are not due and payable in the current  
period and therefore are not reported in the funds.

Revenue bonds payable - current portion	\$	(11,000)	
Revenue bonds payable - due in more than one year		(214,000)	
Compensated absences		<u>(259,954)</u>	(484,954)

Internal service funds are used by management to charge the costs of information systems  
to individual funds. The assets and liabilities of internal service funds are included in  
governmental activities in the statement of net assets.

Cash	\$	55,224	
Miscellaneous receivables		111	
Vouchers payable		(32,669)	
Accrued liabilities		<u>(60)</u>	22,606

Net assets of governmental activities \$ 11,057,731

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 4,120,650	\$ 203,749	\$ 4,324,399
Licenses and permits	145,889		145,889
Intergovernmental	684,211	503,308	1,187,519
Charges for services	422,909	11,346	434,255
Fines and forfeitures	73,435	5,732	79,167
Contributions	1,500		1,500
Miscellaneous revenue	124,382	33,763	158,145
<b>Total revenues</b>	<b>\$ 5,572,976</b>	<b>\$ 757,898</b>	<b>\$ 6,330,874</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General government	\$ 1,593,893		\$ 1,593,893
Public safety	1,709,429	\$ 114,671	1,824,100
Highways and public improvements	1,719,696	149,909	1,869,605
Parks, recreation, and public property	518,116	347,979	866,095
Economic development	106,209	7,392	113,601
Intergovernmental expenditures	62,200		62,200
Capital outlay		627,297	627,297
<b>Debt service:</b>			
Principal retirement	60,767		60,767
Interest and fiscal charges	2,450		2,450
<b>Total expenditures</b>	<b>\$ 5,772,760</b>	<b>\$ 1,247,248</b>	<b>\$ 7,020,008</b>
Excess revenues over (under) expenditures	\$ (199,784)	\$ (489,350)	\$ (689,134)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	\$ 1,425,200	\$ 455,151	\$ 1,880,351
Transfers out	(805,201)		(805,201)
Bond proceeds		225,000	225,000
<b>Total other financing sources (uses)</b>	<b>\$ 619,999</b>	<b>\$ 680,151</b>	<b>\$ 1,300,150</b>
Excess of revenues and other sources over (under) expenditures and other uses	\$ 420,215	\$ 190,801	\$ 611,016
<b>FUND BALANCES - beginning of year</b>	<b>580,761</b>	<b>422,084</b>	<b>1,002,845</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 1,000,976</b>	<b>\$ 612,885</b>	<b>\$ 1,613,861</b>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 611,016
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(563,207)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(1,973)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(164,233)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Compensated absences and accrued interest)	11,039
Internal service funds are used by management to charge the costs of management information systems to individual funds.	<u>(114,846)</u>
Change in net assets of governmental activities	<u>\$ (222,204)</u>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 866,464	\$ 1,155,776	\$ 297,565	\$ 2,319,805	\$ 55,224
Cash - restricted			8,000	8,000	
Investments - restricted	2,349,364	275,307		2,624,671	
Receivables - net					
Utilities	266,348	285,949		552,297	
Miscellaneous	434	13,046	47,781	61,261	111
<b>Total current assets</b>	<b>\$ 3,482,610</b>	<b>\$ 1,730,078</b>	<b>\$ 353,346</b>	<b>\$ 5,566,034</b>	<b>\$ 55,335</b>
Noncurrent assets:					
Water stock	\$ 994,922			\$ 994,922	
Land	177,306	\$ 37,354		214,660	
Equipment, buildings and improvements	25,071,330	7,854,157	\$ 3,550,575	36,476,062	\$ 315,018
Work in progress		15,773		15,773	
Less: Accumulated depreciation	(10,276,616)	(3,522,506)	(1,667,697)	(15,466,819)	(170,611)
<b>Total noncurrent assets</b>	<b>\$ 15,966,942</b>	<b>\$ 4,384,778</b>	<b>\$ 1,882,878</b>	<b>\$ 22,234,598</b>	<b>\$ 144,407</b>
<b>Total assets</b>	<b>\$ 19,449,552</b>	<b>\$ 6,114,856</b>	<b>\$ 2,236,224</b>	<b>\$ 27,800,632</b>	<b>\$ 199,742</b>
<u>LIABILITIES</u>					
Current liabilities:					
Vouchers payable	\$ 83,489	\$ 277,462	\$ 12,296	\$ 373,247	\$ 32,669
Accrued liabilities	234	107	200	541	60
Accrued interest payable		21,384	989	22,373	
Sales tax payable		15,788	5,104	20,892	
Due to other funds			60,000	60,000	
Current portion - long-term debt		64,324	14,503	78,827	
<b>Total current liabilities</b>	<b>\$ 83,723</b>	<b>\$ 379,065</b>	<b>\$ 93,092</b>	<b>\$ 555,880</b>	<b>\$ 32,729</b>

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
Noncurrent liabilities:					
Compensated absences	\$ 25,599	\$ 9,826	\$ 5,836	\$ 41,261	\$ 9,645
Customer deposits payable		234,379		234,379	
Capital leases payable			30,457	30,457	
Revenue bonds payable	9,109,615	474,777		9,584,392	
Total noncurrent liabilities	\$ 9,135,214	\$ 718,982	\$ 36,293	\$ 9,890,489	\$ 9,645
Total liabilities	\$ 9,218,937	\$ 1,098,047	\$ 129,385	\$ 10,446,369	\$ 42,374
Net Assets:					
Invested in capital assets, net of related debt	\$ 6,857,327	\$ 3,845,677	\$ 1,837,918	\$ 12,540,922	\$ 144,407
Restricted	2,349,364	275,307	120,327	2,744,998	
Unrestricted	1,023,924	895,825	148,594	2,068,343	12,961
Total net assets	\$ 10,230,615	\$ 5,016,809	\$ 2,106,839	\$ 17,354,263	\$ 157,368
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(87,110)	
Net assets of business-type activities				\$ 17,267,153	

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
Operating revenues:					
Charges for sales and services	\$ 2,647,179	\$ 5,021,797	\$ 193,692	\$ 7,862,668	\$ 158,715
Total operating revenues	<u>\$ 2,647,179</u>	<u>\$ 5,021,797</u>	<u>\$ 193,692</u>	<u>\$ 7,862,668</u>	<u>\$ 158,715</u>
Operating expenses:					
Employee salaries	\$ 323,250	\$ 138,008	\$ 172,842	\$ 634,100	\$ 80,873
Employee benefits	183,575	81,028	44,738	309,341	41,533
Contractual services	27,029	62,185	2,719	91,933	175
Supplies	45,589	23,819	56,596	126,004	32,167
Materials	67,785	1,587		69,372	
Utilities	16,692	10,177	184,855	211,724	35,234
Fuel and oil	19,502	2,679	261	22,442	150
Repairs and maintenance	44,336	196,279	43,011	283,626	72,598
Depreciation	842,725	210,360	134,794	1,187,879	41,550
Water assessments	13,234			13,234	
Power purchases		2,587,435		2,587,435	
Sewer fees	846,540			846,540	
Miscellaneous	16,881	13,686	6,952	37,519	1,257
Advertising			5,158	5,158	
Rentals	1,826	876	1,057	3,759	
Total operating expenses	<u>\$ 2,448,964</u>	<u>\$ 3,328,119</u>	<u>\$ 652,983</u>	<u>\$ 6,430,066</u>	<u>\$ 305,537</u>
Operating income (loss)	<u>\$ 198,215</u>	<u>\$ 1,693,678</u>	<u>\$ (459,291)</u>	<u>\$ 1,432,602</u>	<u>\$ (146,822)</u>

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>				<u>INTERNAL SERVICE FUND</u>
	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>	
Nonoperating revenues (expenses):					
Interest revenue	\$ 129,708	\$ 26,849	\$ 1,656	\$ 158,213	\$ 6,629
Interest expense and fiscal charges	(178,587)	(33,086)	(1,800)	(213,473)	
Grants	54,000		500	54,500	
Loss on disposal of fixed assets					(1,813)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 5,121</b>	<b>\$ (6,237)</b>	<b>\$ 356</b>	<b>\$ (760)</b>	<b>\$ 4,816</b>
<b>Income (loss) before transfers</b>	<b>\$ 203,336</b>	<b>\$ 1,687,441</b>	<b>\$ (458,935)</b>	<b>\$ 1,431,842</b>	<b>\$ (142,006)</b>
Transfers In (Out):					
Transfers in			\$ 350,050	\$ 350,050	
Transfers out	\$ (326,950)	\$ (1,098,250)		(1,425,200)	
<b>Total transfers in (out):</b>	<b>\$ (326,950)</b>	<b>\$ (1,098,250)</b>	<b>\$ 350,050</b>	<b>\$ (1,075,150)</b>	<b>\$ ...</b>
<b>Change in net assets</b>	<b>\$ (123,614)</b>	<b>\$ 589,191</b>	<b>\$ (108,885)</b>	<b>\$ 356,692</b>	<b>\$ (142,006)</b>
<b>Total net assets - beginning</b>	<b>10,354,229</b>	<b>4,427,618</b>	<b>2,215,724</b>		<b>299,374</b>
<b>Total net assets - ending</b>	<b>\$ 10,230,615</b>	<b>\$ 5,016,809</b>	<b>\$ 2,106,839</b>		<b>\$ 157,368</b>
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(25,345)	
<b>Changes in net assets of business-type activities</b>				<b>\$ 331,347</b>	

"The notes to the financial statements are an integral part of this statement."

**PRICE MUNICIPAL CORPORATION  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND		TOTAL
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 2,643,658	\$ 4,987,475	\$ 194,414	\$ 7,825,547	\$ 163,079
Cash payments to suppliers	(1,112,487)	(2,852,952)	(296,363)	(4,261,802)	(112,765)
Cash payments to employees	(505,071)	(217,126)	(215,934)	(938,131)	(121,990)
Net cash provided (used) by operating activities	<u>\$ 1,026,100</u>	<u>\$ 1,917,397</u>	<u>\$ (317,883)</u>	<u>\$ 2,625,614</u>	<u>\$ (71,676)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Loan made			\$ (23,450)	\$ (23,450)	
Transfers from other funds			350,050	350,050	
Transfers to other funds	<u>\$ (326,950)</u>	<u>\$ (1,098,250)</u>		<u>(1,425,200)</u>	
Net cash provided (used) by noncapital financing activities	<u>\$ (326,950)</u>	<u>\$ (1,098,250)</u>	<u>\$ 326,600</u>	<u>\$ (1,098,600)</u>	<u>\$ ...</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition of capital assets		\$ (156,978)	\$ (11,483)	\$ (168,461)	\$ (72,278)
Interest paid on revenue bonds	\$ (177,758)	(35,502)		(213,260)	
Principal paid on revenue bonds	(437,000)	(60,899)		(497,899)	
Interest paid on capital leases	(1,084)		(1,947)	(3,031)	
Principal paid on capital leases	(25,756)		(14,040)	(39,796)	
Grants received	54,000		500	54,500	
Net cash provided (used) by capital and related financing activities	<u>\$ (587,598)</u>	<u>\$ (253,379)</u>	<u>\$ (26,970)</u>	<u>\$ (867,947)</u>	<u>\$ (72,278)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest and dividends received	<u>\$ 129,708</u>	<u>\$ 26,849</u>	<u>\$ 1,656</u>	<u>\$ 158,213</u>	<u>\$ 6,629</u>
Net cash provided (used) by investing activities	<u>\$ 129,708</u>	<u>\$ 26,849</u>	<u>\$ 1,656</u>	<u>\$ 158,213</u>	<u>\$ 6,629</u>
Net increase (decrease) in cash and cash equivalents	\$ 241,260	\$ 592,617	\$ (16,597)	\$ 817,280	\$ (137,325)
Cash and cash equivalents, July 1	2,974,568	838,466	322,162	4,135,196	192,549
Cash and cash equivalents, June 30	<u>\$ 3,215,828</u>	<u>\$ 1,431,083</u>	<u>\$ 305,565</u>	<u>\$ 4,952,476</u>	<u>\$ 55,224</u>

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND		TOTAL
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 198,215	\$ 1,693,678	\$ (459,291)	\$ 1,432,602	\$ (146,822)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 842,725	\$ 210,360	\$ 134,794	\$ 1,187,879	\$ 41,550
(Increase) Decrease in utility receivables	(38,805)	(28,743)		(67,548)	
(Increase) Decrease in miscellaneous receivables	35,284	(5,579)	723	30,428	4,364
Increase (Decrease) in vouchers payable	(13,073)	26,414	2,280	15,621	28,816
Increase (Decrease) in compensated absences	1,788	1,926	1,675	5,389	425
Increase (Decrease) in sales tax payable		988	1,965	2,953	
Increase (Decrease) in customer deposits payable		18,369		18,369	
Increase (Decrease) in accrued liabilities	(34)	(16)	(29)	(79)	(9)
Total adjustments	\$ 827,885	\$ 223,719	\$ 141,408	\$ 1,193,012	\$ 75,146
Net cash provided (used) by operating activities	\$ 1,026,100	\$ 1,917,397	\$ (317,883)	\$ 2,625,614	\$ (71,676)

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	COMMUNITY BUILT PLAYGROUND	YOUTH COUNCIL	COMMUNITY PROGRESS	PERFORMANCE BONDS	FIRE DEPARTMENT	CULTURE CONNECTION
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,876	\$ 1,130	\$ 1,545	\$ 26,215	\$ 4,359	\$ 59
Total assets	<u>\$ 1,876</u>	<u>\$ 1,130</u>	<u>\$ 1,545</u>	<u>\$ 26,215</u>	<u>\$ 4,359</u>	<u>\$ 59</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 2,209	\$ ...	\$ ...	\$ ...	\$ ...	\$ ...
<u>NET ASSETS</u>						
Held in trust	<u>\$ (333)</u>	<u>\$ 1,130</u>	<u>\$ 1,545</u>	<u>\$ 26,215</u>	<u>\$ 4,359</u>	<u>\$ 59</u>

"The notes to the financial statements are an integral part of this statement."

PRICE MUNICIPAL CORPORATION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	COMMUNITY BUILT PLAYGROUND	YOUTH COUNCIL	COMMUNITY PROGRESS	SWIM TEAM	EVENTS FEES	PERFORMANCE BONDS	FIRE DEPARTMENT	CULTURE CONNECTION
ADDITIONS:								
Contributions:								
Plan members	\$ 10,064	\$ 619				\$ 66,912	\$ 17,670	
Total contributions	\$ 10,064	\$ 619	\$ ...	\$ ...	\$ ...	\$ 66,912	\$ 17,670	\$ ...
DEDUCTIONS:								
Administrative expenses	\$ 10,397			\$ 8	\$ 4		\$ 22,562	
Refund of contributions						\$ 46,185		
Total deductions	\$ 10,397	\$ ...	\$ ...	\$ 8	\$ 4	\$ 46,185	\$ 22,562	\$ ...
Change in net assets	\$ (333)	\$ 619		\$ (8)	\$ (4)	\$ 20,727	\$ (4,892)	
Net assets - beginning of the year		511	\$ 1,545	8	4	5,488	9,251	\$ 59
Net assets - end of the year	\$ (333)	\$ 1,130	\$ 1,545	\$ ...	\$ ...	\$ 26,215	\$ 4,359	\$ 59

**PRICE MUNICIPAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Price Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member council. The City, incorporated in 1911, provides the following services: public safety, highways and public improvements, parks and recreation, economic development, library, swimming pool, and general administrative services. In addition, the City owns and operates culinary water and electric power systems and maintains its sewer lines.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations.

**Blended Component Unit**

The Price City Redevelopment Agency is included in this report as the Redevelopment Agency (RDA), a special revenue fund, which is a component unit blended in the City's financial statements. Although the RDA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. Members of the City Council serve as the Board of Directors of the RDA.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation and maintenance of the City's water treatment plant and water and sewer distribution systems.

The Electric Fund accounts for the activities of the City's electric distribution operations.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the central financing of data processing goods and services provided to various departments of the City on a cost-reimbursement basis.

The Price City Trust Fund (a fiduciary fund) accounts for the assets held by the City as an agent for the Price Youth City Council, Community Progress Committee, Fire Department, Culture Connection, Community Built Playground, and individuals or groups who have paid performance bonds to the City.

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital improvements, facilities, and equipment (other than those financed by proprietary funds and special revenue funds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Price City Trust Fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
- 2) Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
- 3) If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Data (Continued)**

- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the City Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**E. Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

**F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**G. Inventories**

Inventories consist of petroleum products used to operate and maintain the City's vehicles and equipment and are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), and water stock, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. **Capital Assets (Continued)**

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Office equipment	5-10
Machinery and equipment	5-10
Automotive equipment	5-20
Infrastructure	30

I. **Compensated Absences**

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation is paid.

Accumulated sick leave is earned at a rate of one day per month. Employees may accumulate 960 hours of sick leave. Upon retirement, death, or termination, one-fourth of the accumulated sick leave, not to exceed one month's base pay, is paid.

Employees can also accumulate comp time hours up to 80 hours. Employees are paid for unused comp time upon retirement, death, or termination.

All vacation, sick, and comp time pay is accrued when incurred in the government-wide and internal service fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as cash and investments. Income from the investment of pooled cash is allocated based on fund balance. In addition, cash is separately held by individual funds.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The City does not have separate policies that address the specific types of deposit and investment risks to which the City is exposed.

**Deposits**

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of City funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The City's deposits at June 30, 2006, were \$402,173. Of these deposits, \$300,826 were uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Authorized investments include negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

2. **DEPOSITS AND INVESTMENTS (Continued)**

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external investment pool managed by the Utah State Treasurer's Office. The PTIF is not registered with the SEC as an investment company, and is authorized and regulated by the Money Management Act and the Money Management Council. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Maturity</u>	<u>Quality Rating</u>
Utah Public Treasurer's Investment Fund	\$ 5,665,453	55 days *	Not Rated

\* Weighted-average maturity

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing only in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Credit Risk*

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

3. **RESTRICTED CASH**

During prior years, the City issued six Water & Sewer Revenue bonds for the construction and improvement of its culinary water system; namely, a main water transmission line and a ten million gallon water tank. The City also issued a bond to finance the purchase of the East Price electrical system. In connection with the bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

<u>Enterprise Funds</u>	
Sinking funds	\$ 682,036
Reserve accounts	679,065
Capital improvements	1,026,045
Escrow - grant/loan	27,640
Loan guarantee reserve	8,000
Cost recovery charge	209,885
	<u>\$ 2,632,671</u>

<u>General Fund</u>	
Class "C" Roads	\$ 42,825
Escrow - grant/loan	330,123
	<u>\$ 372,948</u>

<u>Special Revenue Fund</u>	
Drug Task Force	<u>\$ 30,111</u>

<u>Capital Projects Fund</u>	
Escrow - grant/loan	<u>\$ 466,045</u>

4. **PROPERTY TAXES**

The property tax revenue of the City is collected and distributed by the Carbon County treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

4. **PROPERTY TAXES (Continued)**

As of June 30, 2006, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2005 and earlier and 2) taxes assessed as of January 1, 2006, but are not due and payable until November 30, 2006. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county, from the uniform fee, are distributed by the county to each taxing entity in which the property is located, in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the county.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,015,137			\$ 1,015,137
Other assets	72,000			72,000
Work in progress	235,335	\$ 39,546	\$ 20,970	253,911
<b>Total capital assets not being depreciated</b>	<b>\$ 1,322,472</b>	<b>\$ 39,546</b>	<b>\$ 20,970</b>	<b>\$ 1,341,048</b>
Capital assets being depreciated:				
Buildings	\$ 5,111,253	\$ 450,543		\$ 5,561,796
Improvements other than buildings	2,257,394	80,463		2,337,857
Machinery and equipment	3,636,041	111,170	\$ 136,435	3,610,776
Infrastructure	22,260,727	55,377		22,316,104
<b>Total capital assets being depreciated:</b>	<b>\$ 33,265,415</b>	<b>\$ 697,553</b>	<b>\$ 136,435</b>	<b>\$ 33,826,533</b>

5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government Governmental activities:</b>				
Less accumulated depreciation for:				
Buildings	\$ 2,601,629	\$ 180,591		\$ 2,782,220
Improvements other than buildings	1,106,153	107,387		1,213,540
Machinery and equipment	2,760,157	218,177	\$ 134,461	2,843,873
Infrastructure	17,766,387	742,453		18,508,840
 Total accumulated depreciation	 <u>\$ 24,234,326</u>	 <u>\$ 1,248,608</u>	 <u>\$ 134,461</u>	 <u>\$ 25,348,473</u>
 Total capital assets being depreciated, net	 <u>\$ 9,031,089</u>	 <u>\$ (551,056)</u>	 <u>\$ 1,974</u>	 <u>\$ 8,478,059</u>
 Governmental activities capital assets, net	 <u>\$ 10,353,561</u>	 <u>\$ (511,511)</u>	 <u>\$ 22,944</u>	 <u>\$ 9,819,106</u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 214,660			\$ 214,660
Water stock	994,922			994,922
Work in progress		\$ 15,773		15,773
<b>Total capital assets not being depreciated</b>	<b>\$ 1,209,582</b>	<b>\$ 15,773</b>	<b>\$ ...</b>	<b>\$ 1,225,355</b>
Capital assets being depreciated:				
Buildings	\$ 12,499,633	\$ 11,482		\$ 12,511,115
Improvements other than buildings	22,804,340	141,204		22,945,544
Machinery and equipment	1,019,402			1,019,402
<b>Total capital assets being depreciated:</b>	<b>\$ 36,323,375</b>	<b>\$ 152,686</b>	<b>\$ ...</b>	<b>\$ 36,476,061</b>
Less accumulated depreciation for:				
Buildings	\$ 5,888,038	\$ 369,284		\$ 6,257,322
Improvements other than buildings	7,758,882	737,639		8,496,521
Machinery and equipment	632,019	80,956		712,975
<b>Total accumulated depreciation</b>	<b>\$ 14,278,939</b>	<b>\$ 1,187,879</b>	<b>\$ ...</b>	<b>\$ 15,466,818</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 22,044,436</b>	<b>\$ (1,035,193)</b>	<b>\$ ...</b>	<b>\$ 21,009,243</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 23,254,018</b>	<b>\$ (1,019,419)</b>	<b>\$ ...</b>	<b>\$ 22,234,599</b>

5. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 158,548
Public safety	78,227
Highways and public improvements	856,403
Parks and recreation	113,881
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>41,550</u>
Total depreciation expense - governmental activities	<u>\$ 1,248,609</u>
Business-type Activities:	
Water and sewer	\$ 842,725
Electric	210,360
Swimming pool	119,449
Price Community Center	<u>15,345</u>
Total depreciation expense - business-type activities	<u>\$ 1,187,879</u>
Total depreciation expense	<u><u>\$ 2,436,488</u></u>

6. **PENSION PLANS**

**Cost Sharing Defined Benefit Pension Plans**

**Plan Description** – The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

6. PENSION PLANS (Continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary and the City is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System, members are required to make contributions in the amount of 12.29% and the City is required to contribute 7.95% of members' salaries. In the Public Safety Noncontributory Retirement System, the City is required to contribute 19.34% of members' salaries. In the Firefighters Retirement System for employers with Social Security coverage, plan members are required to contribute 8.61% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$7,514.12, \$12,895.14, and \$14,030.93, respectively; for the Noncontributory Retirement System, the contributions for June 30, 2006, 2005 and 2004 were \$213,411.64, \$216,852.60, and \$191,528.65, respectively; for the Public Safety Contributory Retirement System, the contributions for June 30, 2006, 2005, and 2004 were \$18,546.62, \$17,753.93, and \$14,468.98, respectively; for the Public Safety Noncontributory Retirement System, the contributions for June 30, 2006, 2005 and 2004 were \$109,402.97, \$104,067.91, and \$88,776.15, respectively; and for the Firefighters Retirement System, the contributions for June 30, 2006, 2005 and 2004 were \$4,134.14, \$4,504.76, and \$4,193.74, respectively. The contributions were equal to the required contributions for each year.

The City also sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k), which is administered by the Utah Retirement Systems. The plan covers all full-time City employees who participate in the State's contributory and non-contributory retirement plans. Participants are fully vested in employer and employee contributions.

6. **PENSION PLANS (Continued)**

The City's contribution rates are determined by resolution of the City. The City's total payroll in the fiscal year ended June 30, 2006 was \$3,193,062. The City's contributions for the year ended June 30, 2006 were calculated using the total participants' salary amount of \$2,961,896. The required contributions of the City were made which amounted to \$104,385 for the year ended June 30, 2006. Participants may make tax deferred contributions through a salary reduction agreement up to a maximum of \$15,000. The participants' contributions for the year ended June 30, 2006 totaled \$106,303 or approximately 3.59% of the total participants' salary.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$21,289 for the year ended June 30, 2006. The assets of the plan are administered and held by the Utah Retirement Systems and a third-party administrator.

7. **LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 11,000		\$ 11,000	\$ 64,324	\$ 32,077	\$ 96,400
2008	11,000		11,000	513,151	198,349	711,500
2009	11,000		11,000	525,206	186,286	711,492
2010	11,000		11,000	536,502	173,782	710,284
2011	11,000		11,000	552,054	160,843	712,898
2012-2016	55,000		55,000	2,658,864	609,567	3,268,431
2017-2021	55,000		55,000	2,467,000	350,664	2,817,664
2022-2026	60,000		60,000	1,582,615	119,553	1,702,168
2027-2029				749,000	22,010	771,010
	<u>\$ 225,000</u>	<u>\$ ...</u>	<u>\$ 225,000</u>	<u>\$ 9,648,716</u>	<u>\$ 1,853,131</u>	<u>\$ 11,501,847</u>

7. **LONG-TERM DEBT (Continued)**

**Revenue Bonds** – Revenue bonds payable at June 30, 2006, with their outstanding balances, are comprised of the following individual issues:

**Governmental Activities:**

\$225,000 Taxable Sales Tax Revenue Bonds, Series 2005, due in annual principal installments of \$11,000 to \$12,000, beginning April 1, 2007 through April 1, 2026, at a zero percent interest rate.	\$ <u>225,000</u>
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**Business-type Activities:**

\$1,250,000 Water & Sewer Revenue Bonds, Series 1995A, due in annual principal installments of \$61,000 to \$64,000, beginning July 1, 1997, through July 1, 2016, interest of 0.29% per annum.	\$ 634,000
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\$2,997,615 Water & Sewer Revenue Bonds, Series 1995B, due in annual principal installments of \$93,000 to \$169,615, beginning July 1, 1997, through July 1, 2021, interest of 3.00% per annum.	2,055,615
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\$2,885,000 Water & Sewer Revenue Bonds, Series 2002A, due in annual principal installments of \$96,000 to \$137,000, beginning July 1, 2004, through July 1, 2028, interest of 1.5% per annum.	2,593,000
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\$1,900,000 Water & Sewer Revenue Bonds, Series 2002B, due in annual principal installments of \$75,000 to \$118,000, beginning July 1, 2003, through July 1, 2022, interest of 2.47% per annum.	1,591,000
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\$1,250,000 Water & Sewer Revenue Bonds, Series 2002C, due in annual principal installments of \$37,000 to \$67,000, beginning July 1, 2004, through July 1, 2028, interest of 2.50% per annum.	1,136,000
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\$1,250,000 Water & Sewer Revenue Bonds, Series 2002D, due in annual principal installments of \$50,000, beginning July 1, 2004, through July 1, 2028, at a zero percent interest rate.	1,100,000
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\$600,000 Taxable Electric Revenue Bonds, Series 2004, due in annual principal installments of \$60,899 to \$90,987, beginning November 1, 2005, through November 1, 2012, interest of 5.95% per annum.	539,101
Total	\$ <u>9,648,716</u>

7. **LONG-TERM DEBT (Continued)**

Revenue bonds issued for governmental activities were used to renovate existing buildings to house administrative offices, including the Price City Police Department, and other programs. Revenue bonds issued for business-type activities, except the Series 2004 Taxable Electric Revenue Bonds, were used for the construction, repair, and maintenance of water and sewer lines within the city. The Electric Revenue Bonds were used to purchase the East Price electrical system.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds - CIB	\$ 46,478	\$ 225,000	\$ (46,478)	\$ 225,000	\$ 11,000
Capital leases	14,287		(14,287)		
Compensated absences	<u>268,935</u>		<u>(8,981)</u>	<u>259,954</u>	
Governmental activity long-term liabilities	<u>\$ 329,700</u>	<u>\$ 225,000</u>	<u>\$ (69,746)</u>	<u>\$ 484,954</u>	<u>\$ 11,000</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 10,146,615		\$ (497,899)	\$ 9,648,716	\$ 64,324
Capital leases	84,756		(39,796)	44,960	14,503
Compensated absences	<u>35,872</u>	<u>\$ 5,389</u>		<u>41,261</u>	
Business-type activity long-term liabilities	<u>\$ 10,267,243</u>	<u>\$ 5,389</u>	<u>\$ (537,695)</u>	<u>\$ 9,734,937</u>	<u>\$ 78,827</u>

8. CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of an ozone chemical system for the swimming pool.

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	Business-type <u>Activities</u>
Machinery and equipment	\$ 75,837
Total assets	\$ 75,837
Less: Accumulated depreciation	<u>11,376</u>
Net assets	<u>\$ 64,461</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2006, are as follows:

Years Ending <u>June 30,</u>	Business-type <u>Activities</u>
2007	\$ 15,987
2008	15,987
2009	<u>15,987</u>
Total minimum lease payments	\$ 47,961
Less: amount representing interest	<u>(3,001)</u>
Present value of minimum lease payments	<u>\$ 44,960</u>

9. **CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has several pending lawsuits and notice of claims filed by different individuals and entities. The information presented by attorneys indicated that most of the outcomes of lawsuits are undeterminable at the date of audit, but the City is aggressively fighting these claims.

The City has a loan guarantee program by which it will guarantee up to \$10,000 on a bank loan owed by a local business. The City's policy is to set aside 80% of the loan guarantee amount in case of default. The City currently has guaranteed one such loan. The City has restricted \$8,000 in its Economic Vitality Fund relative to this loan.

10. **REDEVELOPMENT AGENCY**

During the year ended June 30, 2006, the tax increment collected by the RDA was \$92,650 for the downtown redevelopment project area and \$111,099 for the East Price project area. The RDA did not pay any of the tax increment to any taxing agency or unit. Currently, the RDA has no outstanding bonds or loans.

During the fiscal year ended June 30, 2006, the RDA did not acquire any property, but did make the following site improvements:

<u>Project</u>	<u>Amount</u>
Housing	\$ 3,000
Downtown Improvements	10,000
Revitalization Project	21,353
Restoration Project	21,905
East Price Projects	40,093

The RDA also incurred administrative expenditures in the amount of \$28,215 for the downtown project area and \$25,342 for the East Price project area. During the year, the RDA transferred \$20,749 out of the downtown project area and \$22,500 out of the East Price project area to the General Fund for administrative services. The RDA did not incur expenditures for the installation of public utilities or other public improvements.

11. **PROPERTY TAX CALENDAR**

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected.

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City issued revenue bonds in the Water and Sewer Fund for the purpose of constructing storage and distributions systems for culinary water. Both the Water and Sewer departments are accounted for in a single fund. The City also operates an Electric Fund, which provides electrical power to residents of the city. The City issued revenue bonds in the Electric Fund to purchase the East Price electrical system. During the year, both the Electric and Water and Sewer Funds made a material transfer of funds to the General Fund.

In addition, the City operates three other enterprise funds, the Pool Fund, the Price Community Center Fund, and the Price City Economic Vitality Fund. The Pool Fund records the transactions associated with the operation of the Desert Wave Pool. The Price Community Center Fund consists of a commercial building, which is rented to governmental agencies and commercial enterprises. The Price City Economic Vitality Fund accounts for loans granted to small businesses located within the City. Segment information is reported for these three funds due to material operating transfers into the funds or because of material enterprise fund operating income or loss.

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	<u>Pool Fund</u>	<u>Price Community Center</u>	<u>Price City Economic Vitality</u>
<b>Assets:</b>			
Current assets	\$ 186,453	\$ 46,566	\$ 120,327
Capital assets	1,611,844	271,034	
Total assets	<u>\$ 1,798,297</u>	<u>\$ 317,600</u>	<u>\$ 120,327</u>
<b>Liabilities:</b>			
Current liabilities	\$ 91,414	\$ 1,678	
Noncurrent liabilities	36,293		
Total liabilities	<u>\$ 127,707</u>	<u>\$ 1,678</u>	<u>\$ ...</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 1,566,884	\$ 271,034	
Restricted			\$ 120,327
Unrestricted	103,706	44,888	
Total net assets	<u>\$ 1,670,590</u>	<u>\$ 315,922</u>	<u>\$ 120,327</u>

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	<u>Pool Fund</u>	<u>Price Community Center</u>	<u>Price City Economic Vitality</u>
Operating revenues	\$ 180,389	\$ 10,122	\$ 3,181
Depreciation expense	(119,449)	(15,345)	
Other operating expenses	<u>(484,293)</u>	<u>(33,284)</u>	<u>(612)</u>
Operating income	<u>\$ (423,353)</u>	<u>\$ (38,507)</u>	<u>\$ 2,569</u>
Nonoperating revenue (expenses):			
Grant	\$ 500		
Interest expense and fiscal charges	(1,800)		
Interest income			<u>\$ 1,656</u>
Total nonoperating revenue (expenses)	<u>\$ (1,300)</u>	<u>\$ ...</u>	<u>\$ 1,656</u>
Transfers:			
Transfers in	<u>\$ 350,050</u>		
Total transfers	<u>\$ 350,050</u>	<u>\$ ...</u>	<u>\$ ...</u>
Change in net assets	\$ (74,603)	\$ (38,507)	\$ 4,225
Beginning net assets	<u>1,745,193</u>	<u>354,429</u>	<u>116,102</u>
Ending net assets	<u><u>\$ 1,670,590</u></u>	<u><u>\$ 315,922</u></u>	<u><u>\$ 120,327</u></u>

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Pool Fund</u>	<u>Price Community Center</u>	<u>Price City Economic Vitality</u>
<b>Operating revenues:</b>			
Charges for services	\$ 180,389	\$ 10,122	\$ 3,181
Depreciation expense	(119,449)	(15,345)	
Operating income (loss)	(423,353)	(38,507)	2,569
Operating transfers in	350,050		
Net income (loss)	(74,603)	(38,507)	4,225
<b>Property, plant, and equipment:</b>			
Additions			
Net working capital	95,039	44,888	
Total assets	1,798,297	317,600	120,327
Capital leases payable	44,960		
Total equity	1,670,590	315,922	120,327

**CONDENSED STATEMENT OF CASH FLOWS**

<b>Net cash provided (used) by:</b>			
Operating activities	\$ (296,752)	\$ (23,700)	\$ 2,569
Noncapital financing activities	350,050		(23,450)
Capital and related financing activities	(26,970)		
Investing activities			1,656
Net increase (decrease)	\$ 26,328	\$ (23,700)	\$ (19,225)
Beginning cash and cash equivalents	159,754	68,766	93,642
Ending cash and cash equivalents	<u>\$ 186,082</u>	<u>\$ 45,066</u>	<u>\$ 74,417</u>

13. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays a monthly premium to Utah Local Governments Trust for its health insurance coverage. The City is insured through a local government risk pool for its general liability coverage. At June 30, 2006, the City had no legal claims or judgments filed against it related to the risks mentioned above.

14. **RELATED PARTY TRANSACTIONS**

Joe Piccolo, Mayor, owns three automotive businesses in Price. During the fiscal year ended June 30, 2006, the City made payments to these businesses in the amount of \$3,105 for goods and services. The City owed \$608 at year end.

Richard Tatton, City Councilman, owns and operates an independent insurance company. During the year ended June 30, 2006, the City made payments to the company in the amount of \$1,023 for services. In addition, the City paid \$23,092 directly to the agencies through which it is insured for fidelity bonds, tail coverage on general liability insurance, and deductibles. The City owed \$2,532 at year end.

A fireman with the Price City Fire Department owns and operates a landscaping business. During the year ended June 30, 2006, the City made payments to the business in the amount of \$7,407 for services. The City owed \$390 at year end. Two other firemen own and operate a printing company. During the year ended June 30, 2006, the City made payments to the business in the amount of \$8,464 for goods and services. The City owed \$1,072 at year end.

Jeff Nielson, City Councilman, owns and operates a produce business. During the year ended June 30, 2006, the City made payments to the company in the amount of \$6,331, of which \$26 was for goods and \$6,305 was for reimbursement of a portion of RDA revitalization costs.

During the year ended June 30, 2004, the Mayor's son received a \$10,000 loan, at an interest rate of 7.50%, through the Price City Economic Vitality Fund to open a business in Price. The loan application was approved by the Loan Committee and by the City Council. The Mayor removed himself from the loan review and approval process. For a period of time during 2005, the City offered new and existing loans at half the interest rate and no fees. Mr. Piccolo took advantage of this promotion and his loan was rewritten at an interest rate of 3.75% for the remaining 12 month period. The loan was paid off in February 2006 and another loan in the amount of \$2,126 was issued at an interest rate of 5.25% for a period of six months. As of June 30, 2006, the loan balance was \$806.

15. **RECEIVABLES**

Receivables as of June 30, 2006, for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

15. **RECEIVABLES (Continued)**

	<u>GENERAL FUND</u>	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR AND OTHER FUNDS</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 728,880				\$ 728,880
Accounts		\$ 275,316	\$ 291,637		566,953
Miscellaneous	57,849	434	13,046	\$ 155,015	226,344
Gross receivables	\$ 786,729	\$ 275,750	\$ 304,683	\$ 155,015	\$ 1,522,177
Less: allowance for uncollectible accounts		(8,968)	(5,688)		(14,656)
Net receivables	<u>\$ 786,729</u>	<u>\$ 266,782</u>	<u>\$ 298,995</u>	<u>\$ 155,015</u>	<u>\$ 1,507,521</u>

16. **INTERFUND BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivable and payable balances at June 30, 2006, as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Capital Improvements Fund	\$ 60,000	
Pool Fund		\$ 60,000
Internal balance - Governmental activities	87,110	
Internal balance - Business-type activities		87,110
Total internal balances	<u>\$ 147,110</u>	<u>\$ 147,110</u>

16. **INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers – Interfund transfers during the year ended June 30, 2006, were as follows:

TRANSFERS IN	TRANSFERS OUT			TOTAL
	GENERAL FUND	ELECTRIC FUND	WATER AND SEWER FUND	
General Fund		\$1,098,250	\$ 326,950	\$ 1,425,200
Other Governmental				
Drug Task Force	\$ 67,301			67,301
Library	344,650			344,650
Capital Projects	43,200			43,200
Enterprise				
Pool Fund	350,050			350,050
Totals	<u>\$ 805,201</u>	<u>\$1,098,250</u>	<u>\$ 326,950</u>	<u>\$ 2,230,401</u>

17. **SUBSEQUENT EVENTS**

On October 11, 2006, the City adopted Resolution 2006-24, authorizing the issuance of Sales Tax Revenue Bonds in the amount of \$75,000. The proceeds of the bonds will be used for various public safety projects. The bonds bear a zero percent interest rate and will commence on October 1, 2008, and mature on October 1, 2012.

18. **OTHER POSTEMPLOYMENT BENEFITS**

The City provides postretirement health and dental care benefits, as per the requirements of a local policy, for certain retirees and their dependents; only retirees hired before July 1, 1997 are eligible to participate. Employees on disability, as defined by the Utah State Retirement Systems, or Federal Social Security System, are also eligible to participate.

The City pays 100 percent of the premiums of health and dental care coverage, as provided by the City's benefit policy then in force, for employees who retire with 20 years of full-time service and who are age 62 or older. The City's regular health and dental care benefit providers underwrite the retiree's policies until they reach 65 years of age; coverage provided is under COBRA. At age 65, the City pays the Medicare supplement for the retirees and their dependents, which includes medical coverage only. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of June 30, 2006, there were 2 employees receiving COBRA insurance coverage; 1 with family coverage and 1 with two-party coverage. During the year, the City paid the Medicare supplement for 16 employees, of which 10 had dependents. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2006, the City paid \$101,900 for these benefits.

19. **EQUITY TRANSFER**

During the year ended June 30, 2003, the City transferred \$111,500 from its Redevelopment Agency Fund to a newly created Price City Economic Vitality Fund. The Price City Economic Vitality Fund loans money to businesses that are located within Price City. During prior years, this fund was reported as a special revenue fund. Upon further evaluation, it was determined that the Price City Economic Vitality Fund should be reported in the financial statements as an enterprise fund. This change was made during the year when an equity transfer was made and the equity of this fund changed from a special revenue fund type to an enterprise fund type.

20. **RESTRICTED NET ASSETS/FUND BALANCES**

The restricted net assets of government wide financial statements and reserved fund balances of fund financial statements are disclosed below:

**Net Assets – Government Wide Financial Statements**

*Class "C" Road* – Funds received from the State of Utah to be used to improve Class C roads in the City.

*Redevelopment Agency* – Incremental tax revenues received by the Agency to promote economic development and to eliminate blight within the District.

*Drug Enforcement* – Federal money received from the State to be spent fighting crime associated with drug trafficking.

*Debt Service Funds* – Debt covenants require the City to maintain sinking and reserve funds for the repayment of revenue bonds.

**Fund Balance – Fund Financial Statements**

The same amounts that are reported as restricted net assets in the Government Wide Financial Statements are shown as reserved fund balances in the Fund Financial Statements.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property taxes	\$ 837,900	\$ 825,900	\$ 751,890	\$ (74,010)
General sales and use tax	1,956,900	1,956,900	2,170,780	213,880
Franchise tax	360,400	372,400	459,619	87,219
Transient room tax	50,000	50,000	58,352	8,352
Municipal energy tax	10,000	10,000	14,873	4,873
Highway tax	575,000	575,000	665,136	90,136
Licenses and permits	160,100	160,600	145,889	(14,711)
Intergovernmental	345,000	691,419	684,211	(7,208)
Charges for services	392,700	436,449	422,909	(13,540)
Fines and forfeitures	100,200	70,200	73,435	3,235
Investment earnings	11,600	12,500	29,197	16,697
Contributions		1,500	1,500	
Miscellaneous revenue	23,000	44,151	95,185	51,034
<b>Total revenues</b>	<b>\$ 4,822,800</b>	<b>\$ 5,207,019</b>	<b>\$ 5,572,976</b>	<b>\$ 365,957</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative	\$ 83,900	\$ 93,750	\$ 91,028	\$ 2,722
Recorder	123,780	124,680	114,478	10,202
Finance	239,550	237,450	230,135	7,315
Treasurer	72,370	72,370	66,623	5,747
Attorney	108,800	108,800	105,151	3,649
Non-departmental	120,100	124,600	117,063	7,537
City hall and buildings	262,700	265,300	256,576	8,724
Human resources	565,600	521,215	489,080	32,135
Planning	99,500	100,100	95,670	4,430
Community progress	7,750	21,850	17,307	4,543
Election	8,900	8,200	8,108	92
Safety committee	4,800	4,500	2,674	1,826
<b>Total general government</b>	<b>\$ 1,697,750</b>	<b>\$ 1,682,815</b>	<b>\$ 1,593,893</b>	<b>\$ 88,922</b>
<b>Public safety:</b>				
Police	\$ 1,167,710	\$ 1,163,860	\$ 1,147,156	\$ 16,704
Fire	382,700	372,800	368,750	4,050
Inspection	112,650	68,350	52,719	15,631
Special functions	75,400	79,200	75,266	3,934
Alcohol law enforcement	66,600	66,600	65,538	1,062
<b>Total public safety</b>	<b>\$ 1,805,060</b>	<b>\$ 1,750,810</b>	<b>\$ 1,709,429</b>	<b>\$ 41,381</b>

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>Highways and public improvements:</b>				
Highways - general	\$ 358,200	\$ 690,969	\$ 547,066	\$ 143,903
Street maintenance	201,300	188,900	168,919	19,981
Class "C" Roads	303,000	311,600	312,291	(691)
Shop	179,400	170,500	157,646	12,854
Engineering	51,400	51,400	39,265	12,135
Irrigation system	4,700	6,200	5,063	1,137
Public works administration	204,000	211,600	207,505	4,095
Sanitation	287,000	287,000	281,941	5,059
<b>Total highways and public improvements</b>	<b>\$ 1,589,000</b>	<b>\$ 1,918,169</b>	<b>\$ 1,719,696</b>	<b>\$ 198,473</b>
<b>Parks, recreation, and public property:</b>				
Parks	\$ 301,000	\$ 321,500	\$ 295,470	\$ 26,030
Cemetery	269,400	269,100	222,646	46,454
<b>Total parks, recreation and public property</b>	<b>\$ 570,400</b>	<b>\$ 590,600</b>	<b>\$ 518,116</b>	<b>\$ 72,484</b>
<b>Economic development:</b>				
Economic development	\$ 119,800	\$ 107,775	\$ 106,209	\$ 1,566
<b>Total economic development</b>	<b>\$ 119,800</b>	<b>\$ 107,775</b>	<b>\$ 106,209</b>	<b>\$ 1,566</b>
<b>Intergovernmental expenditures:</b>				
Contributions to other governmental units	\$ 60,900	\$ 63,200	\$ 62,200	\$ 1,000
<b>Total intergovernmental expenditures</b>	<b>\$ 60,900</b>	<b>\$ 63,200</b>	<b>\$ 62,200</b>	<b>\$ 1,000</b>
<b>Debt service:</b>				
Principal retirement	\$ 33,300	\$ 60,800	\$ 60,767	\$ 33
Interest and fiscal charges	2,100	2,525	2,450	75
<b>Total debt service</b>	<b>\$ 35,400</b>	<b>\$ 63,325</b>	<b>\$ 63,217</b>	<b>\$ 108</b>
<b>Total expenditures</b>	<b>\$ 5,878,310</b>	<b>\$ 6,176,694</b>	<b>\$ 5,772,760</b>	<b>\$ 403,934</b>
<b>Excess of revenue over (under) expenditures</b>	<b>\$ (1,055,510)</b>	<b>\$ (969,675)</b>	<b>\$ (199,784)</b>	<b>\$ 769,891</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	\$ 1,467,700	\$ 1,468,449	\$ 1,425,200	\$ (43,249)
Transfers out	(756,390)	(805,201)	(805,201)	
<b>Total other financing sources (uses)</b>	<b>\$ 711,310</b>	<b>\$ 663,248</b>	<b>\$ 619,999</b>	<b>\$ (43,249)</b>

**PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess of revenues and other sources over (under) expenditures and other uses	\$ (344,200)	\$ (306,427)	\$ 420,215	\$ 726,642
Fund balances - beginning of year	<u>580,761</u>	<u>580,761</u>	<u>580,761</u>	
Fund balances - end of year	<u>\$ 236,561</u>	<u>\$ 274,334</u>	<u>\$ 1,000,976</u>	<u>\$ 726,642</u>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
JUNE 30, 2006

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>DRUG TASK FORCE</u>	<u>LIBRARY</u>	<u>REDEVELOP- MENT AGENCY</u>	<u>MAIN STREET PROGRAM</u>	<u>CAPITAL IMPROVE- MENTS</u>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ (18,247)	\$ 60,687	\$ 77,870	\$ 9,858	\$ (104,351)	\$ 25,817
Investments - restricted	30,111				466,045	496,156
Due from other funds					60,000	60,000
Accounts receivable - miscellaneous	7,712	266			99,145	107,123
<b>Total assets</b>	<b>\$ 19,576</b>	<b>\$ 60,953</b>	<b>\$ 77,870</b>	<b>\$ 9,858</b>	<b>\$ 520,839</b>	<b>\$ 689,096</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 105	\$ 1,845	\$ 20,815		\$ 53,257	\$ 76,022
Accrued liabilities	46	143				189
<b>Total liabilities</b>	<b>\$ 151</b>	<b>\$ 1,988</b>	<b>\$ 20,815</b>	<b>\$ ...</b>	<b>\$ 53,257</b>	<b>\$ 76,211</b>
<b>Fund balances:</b>						
Reserved	\$ 19,425		\$ 57,055			\$ 76,480
Unreserved, reported in:						
Special revenue funds		\$ 58,965		\$ 9,858		68,823
Capital project funds					\$ 467,582	467,582
<b>Total fund balances</b>	<b>\$ 19,425</b>	<b>\$ 58,965</b>	<b>\$ 57,055</b>	<b>\$ 9,858</b>	<b>\$ 467,582</b>	<b>\$ 612,885</b>
<b>Total liabilities and fund balance</b>	<b>\$ 19,576</b>	<b>\$ 60,953</b>	<b>\$ 77,870</b>	<b>\$ 9,858</b>	<b>\$ 520,839</b>	<b>\$ 689,096</b>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DRUG TASK FORCE	LIBRARY	REDEVELOPMENT AGENCY	MAIN STREET PROGRAM		
<b>REVENUES:</b>						
Taxes			\$ 203,749			\$ 203,749
Intergovernmental revenue	\$ 33,933	\$ 8,346		\$ 17,250	\$ 443,779	\$ 503,308
Charges for services		11,346				11,346
Fines and forfeitures	5,732	3,027				8,759
Miscellaneous		1,377			28,115	30,736
Investment earnings	1,244					1,244
Total revenues	\$ 40,909	\$ 24,096	\$ 203,749	\$ 17,250	\$ 471,894	\$ 757,898
<b>EXPENDITURES:</b>						
Public safety	\$ 114,671					\$ 114,671
Highways and public improvements			\$ 149,909			\$ 149,909
Parks, recreation, and public property		\$ 347,979		\$ 7,392		\$ 347,979
Economic development					\$ 627,297	\$ 627,297
Capital outlay						
Total expenditures	\$ 114,671	\$ 347,979	\$ 149,909	\$ 7,392	\$ 627,297	\$ 1,247,248
Excess of revenues over (under) expenditures	\$ (73,762)	\$ (323,883)	\$ 53,840	\$ 9,858	\$ (155,403)	\$ (489,350)
Other financing sources (uses):						
Bond proceeds	\$ 67,301	\$ 344,650			\$ 225,000	\$ 225,000
Transfers in					43,200	43,200
Total other financing sources (uses)	\$ 67,301	\$ 344,650	\$ ...	\$ ...	\$ 268,200	\$ 680,151
Excess of revenues and other sources over (under) expenditures and other uses	\$ (6,461)	\$ 20,767	\$ 53,840	\$ 9,858	\$ 112,797	\$ 190,801
Fund Balances - Beginning of year	25,886	38,198	3,215		354,785	422,084
Fund Balances - End of year	\$ 19,425	\$ 58,965	\$ 57,055	\$ 9,858	\$ 467,582	\$ 612,885

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS			TOTAL NONMAJOR BTA'S
	POOL FUND	PRICE COMMUNITY CENTER	PRICE CITY ECONOMIC VITALITY	
<b><u>ASSETS</u></b>				
Current assets:				
Cash	\$ 186,082	\$ 45,066	\$ 66,417	\$ 297,565
Cash - restricted			8,000	8,000
Receivables - net miscellaneous	371	1,500	45,910	47,781
<b>Total current assets</b>	<b>\$ 186,453</b>	<b>\$ 46,566</b>	<b>\$ 120,327</b>	<b>\$ 353,346</b>
Noncurrent assets:				
Equipment, buildings and improvements	\$ 2,862,494	\$ 688,081		\$ 3,550,575
Less: Accumulated depreciation	(1,250,650)	(417,047)		(1,667,697)
<b>Total noncurrent assets, net</b>	<b>\$ 1,611,844</b>	<b>\$ 271,034</b>	<b>\$ ...</b>	<b>\$ 1,882,878</b>
<b>Total assets</b>	<b>\$ 1,798,297</b>	<b>\$ 317,600</b>	<b>\$ 120,327</b>	<b>\$ 2,236,224</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Vouchers payable	\$ 10,618	\$ 1,678		\$ 12,296
Interest payable	989			989
Accrued liabilities	200			200
Sales tax payable	5,104			5,104
Due to other funds	60,000			60,000
Capital lease payable - due within one year	14,503			14,503
<b>Total current liabilities</b>	<b>\$ 91,414</b>	<b>\$ 1,678</b>	<b>\$ ...</b>	<b>\$ 93,092</b>
Noncurrent liabilities:				
Compensated absences	\$ 5,836			\$ 5,836
Capital leases payable	30,457			30,457
<b>Total noncurrent liabilities</b>	<b>\$ 36,293</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ 36,293</b>
<b>Total liabilities</b>	<b>\$ 127,707</b>	<b>\$ 1,678</b>	<b>\$ ...</b>	<b>\$ 129,385</b>
Net Assets:				
Invested in capital assets, net of related debt	\$ 1,566,884	\$ 271,034		\$ 1,837,918
Restricted			\$ 120,327	120,327
Unrestricted	103,706	44,888		148,594
<b>Total net assets</b>	<b>\$ 1,670,590</b>	<b>\$ 315,922</b>	<b>\$ 120,327</b>	<b>\$ 2,106,839</b>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS			TOTAL NONMAJOR BTA'S
	POOL FUND	PRICE COMMUNITY CENTER	PRICE CITY ECONOMIC VITALITY	
<b>Operating revenues:</b>				
Charges for sales and services	\$ 180,389	\$ 10,122	\$ 3,181	\$ 193,692
<b>Total operating revenues</b>	<b>\$ 180,389</b>	<b>\$ 10,122</b>	<b>\$ 3,181</b>	<b>\$ 193,692</b>
<b>Operating expenses:</b>				
Employee salaries	\$ 172,842			\$ 172,842
Employee benefits	44,738			44,738
Contractual services	2,107		\$ 612	2,719
Supplies	56,596			56,596
Utilities	161,860	\$ 22,995		184,855
Fuel and oil	261			261
Repairs and maintenance	32,722	10,289		43,011
Depreciation	119,449	15,345		134,794
Miscellaneous	6,952			6,952
Advertising	5,158			5,158
Rental	1,057			1,057
<b>Total operating expenses</b>	<b>\$ 603,742</b>	<b>\$ 48,629</b>	<b>\$ 612</b>	<b>\$ 652,983</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (423,353)</b>	<b>\$ (38,507)</b>	<b>\$ 2,569</b>	<b>\$ (459,291)</b>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue			\$ 1,656	\$ 1,656
Grant revenue	\$ 500			500
Interest expense and fiscal charges	(1,800)			(1,800)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (1,300)</b>	<b>\$ ...</b>	<b>\$ 1,656</b>	<b>\$ 356</b>
<b>Income (loss) before transfers</b>	<b>\$ (424,653)</b>	<b>\$ (38,507)</b>	<b>\$ 4,225</b>	<b>\$ (458,935)</b>
<b>Transfers In (Out):</b>				
Transfers in	\$ 350,050	\$ ...	\$ ...	\$ 350,050
<b>Change in net assets</b>	<b>\$ (74,603)</b>	<b>\$ (38,507)</b>	<b>\$ 4,225</b>	<b>\$ (108,885)</b>
<b>Total net assets - beginning of year</b>	<b>1,745,193</b>	<b>354,429</b>	<b>116,102</b>	<b>2,215,724</b>
<b>Total net assets - end of year</b>	<b>\$ 1,670,590</b>	<b>\$ 315,922</b>	<b>\$ 120,327</b>	<b>\$ 2,106,839</b>

# SMUIN, RICH & MARSING

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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements Per-  
formed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Price Municipal Corporation as of and for the year ended June 30, 2006, and have issued our report thereon dated October 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Armin Rich & Marsing". The signature is written in black ink and is positioned below the printed name of the firm.

Price, Utah

October 12, 2006

**SMUIN, RICH & MARSING**

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

RE: Auditors' Report on State  
Compliance for State Grants

We have audited the basic financial statements of Price Municipal Corporation for the year ended June 30, 2006, and have issued our report thereon dated October 12, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

- Class "C" Road (Utah Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- CIB Loans (DCC, Housing & Community Development Division)
- CIB Grants (DCC, Housing & Community Development Division)

The City also received the following nonmajor grants that are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

- State Grant (Department of Community and Economic Development)
- Library Development Grant (Department of Community and Economic Development)
- LSTA Grant (Department of Community and Economic Development)
- Water Quality (Department of Environmental Quality)
- DUI Overtime Grant (Utah Highway Safety Department)
- Seat Belt Grant (Utah Highway Safety Department)
- UDOT Concrete Replacement (Department of Transportation)
- Business Expansion (Department of Community and Economic Development)
- Healthy Utah (Department of Human Services)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation and
Cash Management	Property Tax Limitation
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Other General Issues
Liquor Law Enforcement	B & C Road Funds

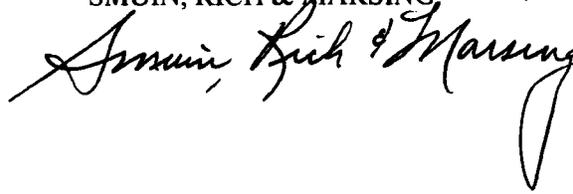
The management of Price Municipal Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Price Municipal Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in black ink and is positioned to the right of the firm's name.

Price, Utah

October 12, 2006